

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 EB-11 TRSE-00 AEC-11 COME-00 MC-02 ACDA-19

SAJ-01 ARA-16 DRC-01 /161 W
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R 112322Z MAR 74

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 2916

C O N F I D E N T I A L OTTAWA 0702

E.O. 11652: GDS

TAGS: ESTC, CU, CA

SUBJECT: CUBAN TRADE CONTROLS AND QUEBEC LOCOMOTIVE SALE

1. AT PRESS GALLERY DINNER MARCH 9, ITC MINISTER GILLESPIE RAISED SUBJECT WITH DCM, WHO SPECULATED THAT THERE APPEARED TO HAVE BEEN SOME AGILE "STATE MANAGING" GOING ON BETWEEN GOC AND MLW-WORTHINGTON IN LIGHT OF COMPANY'S STATEMENT THAT SALE WOULD BE PURSUED, US CHAIRMAN HAD RESIGNED, AND OTHER TWO US DIRECTORS HAD PARTICIPATED (NEGATIVELY) IN BOARD'S VOTE TO CARRY ON. HE AGREED.

2. DCM RECAPPED US POLICY TOWARD TRADE WITH CUBA, INTERNATIONAL (OAS) RESOLUTION AGAINST IT, AND PROVISIONS OF TRADING WITH ENEMY ACT. WHILE STATING HE WAS UNFAMILIAR WITH HISTORIC RECORD OF PROSECUTION FOR VIOLATION OF ACT'S PROVISIONS, DCM SAID THERE CERTAINLY MIGHT BE QUESTION OF WHETHER RESIGNATION OF US DIRECTOR OF FOREIGN SUBSIDIARY WAS SEEN IN LAW AS CIRCUMVENTION OF ACT'S INTENT. IN ANY EVENT, US COMPONENTRY IN LOCOMOTIVES WAS STILL AT ISSUE AND IT HAD BEEN REPORTED IN PRESS THAT IT REPRESENTED 15 PERCENT OF PRODUCT. GILLESPIE THOUGHT IT WAS "FAR LESS."

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3. REGARDING PROSPECTIVE NEW LEGISLATION WHICH GILLESPIE HAD SAID IN HIS PRESS CONFERENCE MARCH 7 WOULD BE INTRODUCED TO AVOID FURTHER SUCH PROBLEMS, HE SAID IT WOULD POSE DIFFICULT CABINET WRANGLE TO REMOVE SECTION ON NULLIFYING EXTRATERRITORIAL LAW APPLICABILITY FROM OLD COMBINES BILL (WHICH LAPSED IN LAST SESSION OF PARLIAMENT) SINCE ITS SPONSOR, MINISTER HERB GRAY (CONSUMER AND CORPORATE AFFAIRS) REGARDED SUCH EXTRACTION AS "GUTTING" HIS BILL. BUT GILLESPIE THOUGHT IT WOULD BE DONE, THOUGH IT WOULD TAKE WEEKS OF PARLEY AND DRAFTING. WHEN DCM SAID SUCH LEGISLATION WOULD NOT ONLY PRESENT GENERAL PROBLEMS FOR FOREIGN INVESTORS IN CANADA BUT SPECIFIC ONES, NOT SIMPLY AFFECTING SALES OF MANUFACTURES, BUT GRANTS OF LICENSES, EXCHANGES OF TECHNOLOGY, AND SO ON, GILLESPIE SAID GOC HAD ALREADY FOUND CONVENIENT WAY ROUND POSSIBLE LEGAL COMPLICATIONS, AS IN FOREIGN INVESTMENT REVIEW ACT, BY USING DISCRETIONARY FORMULA OF "WHATEVER IS IN CANADIAN NATIONAL INTEREST."

4. GILLESPIE SAID THAT NOT ONLY WERE ALL FOUR PARTIES REPRESENTED IN PARLIAMENT AGREED ON ENDING EXTRATERRITORIAL EXTENSION OF FOREIGN LAWS TO CANADIAN BUSINESS PRACTICE, BUT "TWENTY-TWO MILLION CANADIANS" WERE IN AGREEMENT AS WELL. MOREOVER, HE HAD HEARD OF NO RECENT CRITICISM FROM ANY FOREIGN GOVERNMENT ON MATTER. HE DID NOT REVEAL WHAT SECRETARY SHULTZ HAD SAID IN EARLIER CONVERSATION WITH FINANCE MINISTER TURNER IN THIS REGARD, NOR DID TURNER, WHO RAISED ISSUE WITH DCM LATER IN EVENING.
PORTER

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